

DRUG STORE NEWS FOR THE PHARMACIST

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editor's note

Mandatory Pharm.D gets thumbs down from grass roots

The results of our reader survey [FTP Aug. 17, 1992] are in, and a significant majority (65 percent) of you believe a mandatory Pharm.D is not in the best interest of the profession and will deter students from entering pharmacy.

Of the 700 responses received to date, 54 percent think that a Pharm.D will better equip the pharmacist for counseling and clinical practice, but 60 percent do not envision increased compensation for these activities.

Some notable comments:

- Academia has "always taken the easy way out by adding another year of education instead of changing and upgrading the [BS] curriculum;"
- "Rather than mandate another year, a new and improved B.S. Pharm curriculum would adequately train future community practitioners;"
- "I think the Pharm.D degree will give pharmacists the respect [in the medical community] that they already deserve;"
- "A properly trained and educated B.S. pharmacist can counsel and educate doctors, nurses AND patients;"

And from one Pharm.D practicing at retail: "I just don't think the Pharm.D [degree] is all it's hyped up to be."

The pharmacist shortage, the high cost of education, their current practice environment, and the reduced third party and government reimbursement further support

the opposition's argument.

Among Pharm.D supporters, "grandfathering" of their B.S. degree was a condition. Many felt that a Pharm.D would be required for research, teaching or hospital practice, but with current computer support and mandatory CE, community practitioners are keeping up just fine.

Finally, a few wise souls admitted they just didn't know what would be best for the future of our profession.

Thanks for your response.

* * *

It is with a great sense of loss that I report the untimely passing of Matthew J. Clancy Sr., our group circulation director. Matt was an intelligent, hard working man who fully enjoyed life and made significant contributions to our publication. He will be sorely missed.



Dianne M. Tharp

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Association executive viewpoint

For the Pharmacist talks with Ronald J. Streck, senior vp, office of the president, NWDA. See page 36.

Home testing kits

A market predicted to be \$2 billion by the end of the decade is covered in this month's OTC Merchandiser. See page 41.

Ask the expert

How does one determine the ideal hours of operation for the pharmacy and promote the professional services provided? See page 52.

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Wholesalers survive a year of challenges

By Bruce Buckley

Like a deep-rooted tree in a hurricane, the wholesale drug industry withstood the buffeting of a stormy operating environment this year and emerged leaner and stronger.

Bolstered by advances in technology that helped cut distribution costs, the industry as a whole rose to meet the twin challenges of dramatically lower pharmaceutical price increases, which dampened forward buying opportunities, and withering price cutting by competitors. Both trends eroded already pencil-thin margins.

But smaller, less technologically advanced wholesalers suffered in the hostile climate. The bigger players had the resources to survive, though few had outstanding profit years. Smaller companies with a geographic or product specialty niche also managed to hang on.

The tough environment encouraged consolidation. The year turned out to be one of the most active for mergers in a decade. Some of the biggest of the top 20 were gobbled up, including Harris, Durr Fillauer and Owens & Minor.

Wholesaling veterans like Bergen Brunswig's Phil Engle and others see that consolidation trend continuing through the nineties as smaller, family-owned wholesalers lacking the long-term resources to play in the big leagues succumb to competition in their markets and sell out.

The number of companies will dwindle, says Engle, but not to the five or six that doomsayers sometimes predict. He sees the current mix of about 80 companies dropping to 50 or 60 during the decade, including the giants and smaller niche players.

Consolidation also took place in distribution facilities, as major players like McKesson traded smaller warehouses for highly automated regional distribution centers. McKesson set a goal to cut the number of facilities from 45 to 40 this year.

Big new centers like McKesson's Belran, N.J., plant were equipped with the

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A McKesson employee uses Acumax, a powerful arm mounted computer with a laser scan to ensure order picking speed and accuracy.

Wholesalers survive a year of challenges

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latest, most sophisticated technological systems, including Acumax (see cover photo), a powerful automated distribution system that uses lightweight, arm-mounted computers that scan product bar codes with laser beams. The new devices speed order picking and also ensure almost total picking accuracy, a major goal for McKesson.

Bergen imported a moveable robot called Datamobile, guided by computer, that greatly enhances the productivity of its order-picking rider. In Albuquerque, where it made its debut, Datamobile has been able to pick 12 orders at a time with virtually no picking errors. Engle says that it has doubled the facility's picking productivity.

Even the highly touted, high-speed A-frames were an old story this year.

But if technology and consolidation were the blazing front-page trends, it was an old-fashioned idea that united all wholesalers: customer service. Companies vied with each other for bragging rights in providing value-added, information-based services like inventory management programs and total quality programs.

Long-term, everyone agrees the outlook for the drug distribution industry is robust, as demographic trends and government and private restraints on health care costs favor pharmaceutical alternatives to hospitalization and surgery.

McKesson Drug Co.

McKesson Drug Co., with its

focus on customer service and total quality, increased its sales by 15 percent during the year to \$9 billion.

The increases came in all segments of its distribution business. McKesson signed pacts with a number of major customers during the year, including Wegman's, LaVerdiere and Genovese on the East Coast, and Pay 'n Save on the West Coast. Just as important, McKesson renewed its relationships by signing multiyear pacts with Mercy Hospital in California and with Wal-Mart.

Valu-Rite, McKesson's national voluntary cooperative program, grew from 3,300 stores to more than 3,900. Tom Simone, president of McKesson Drug, said the size of the Valu-Rite network would make it first among chains in store count and fourth or fifth in dollar volume ranking. Valu-Rite is the fastest growing segment of

McKesson sales to independents.

"The size allows us to provide our independent customers with excellent values," Simone says, both in promotional goods and services. McKesson now offers its Valu-Rite customers a full range of advertising programs, including cable and local television; national radio; and circulars, which increased to 12 a year from nine formerly.

"Our focus in the past year has been on developing new, innovative marketing programs," says Simone, including extending the Econolink electronic data interchange system.

McKesson Total Quality focused on improving the wholesaler's already strong order picking accuracy. And its customer advisory councils have grown to more than 40 nationwide. McKesson uses input from the councils to develop new marketing programs.

In the technology area, no

wholesaler is more advanced than McKesson. The new DC in Delran, N.J. "is the most automated in the country, probably the world," says Simone. It uses the most sophisticated systems available, including McKesson's new Acumax system, featured on the cover.

Bergen Brunswick Drug Co.

Bergen Brunswick moved aggressively on the acquisition front this past year, picking up two major regional wholesalers and signing an agreement to acquire another, smaller drug distributor.

The major acquisitions, of Owens & Minor and Durr Fillauer, bolstered Bergen's market share in key regions of the South and Southeast, and adding more than a half billion dollars to the wholesaler's revenue stream. The agreement to purchase Dr. T.C. Smith, a wholesaler with strength in North Carolina, will solidify Bergen's tight grasp on Southern distribution and add more than \$100 million in sales.

Bergen, which waged a battle with Cardinal Drug to acquire Durr Fillauer, has had its eye on the Montgomery, Ala.-based distributor of pharmaceuticals and medical/surgical supplies for "many years," according to Phil Engle, president of Bergen Brunswick Drug Co. "Our interest in the Southeast has been very, very high

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Drug wholesalers customer sales mix

Customer mix	1991	1990	1989	1988	1987
Independent drug stores	41.4%	40.7%	40.8%	44.2%	45.6%
Chain drug stores	23.4	25.7	22.1	21.7	22.7
Hospitals	26.6	22.8	23.9	22.7	22.2
Chain drug warehouse	1.1	2.8	7.4	6.0	4.9
Mass merchandisers & food stores	3.2	4.2	2.8	3.3	2.5
Clinics & nursing homes	2.5	1.0	1.1	0.8	n.a.
Government	0.2	n.a.	n.a.	n.a.	n.a.
*Other	1.3	2.5	1.6	0.87	1.90

*In 1987, and earlier years, clinics and nursing homes were combined with other customers. Customer sales mix percentages do not add up to 100% because they are weighted-average values.

Source: NWDA 1991 Operating Survey.

Drug wholesaler sales growth

(Billions)

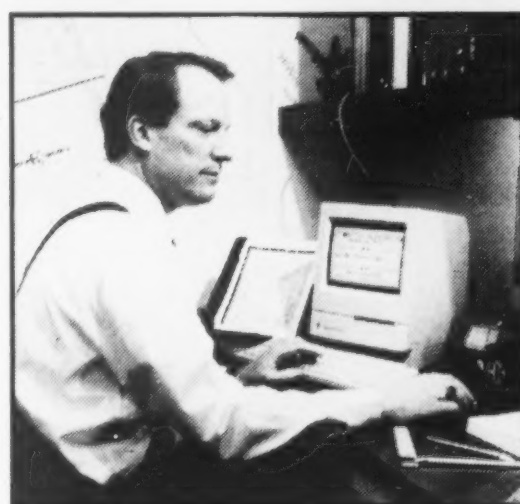
	1987	1988	1989	1990	1991	1992E*
Dollar sales	\$19.46	\$22.19	\$25.17	\$30.18	\$36.16	\$41.22
Percentage change vs. prior year	16.8%	14.0	13.5	18.2	14.9	14.0
Producer price increase (PPI)	9.40	8.25	7.94	7.20	5.39	n.a.
Sales increases minus (PPI)	7.04	5.77	5.57	10.97	9.57	n.a.

*Estimated.

Source: NWDA 1991 Operating Survey/Drug Store News 1992 dollar sales estimate.

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cover story

Wholesalers survive

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due to the demographics," he says, referring to the increasing population of older, retired Americans who are the biggest users of the pharmaceutical products distributed by Bergen.

For Bergen, 1992 was the most active in terms of acquisitions in many years. The wholesaler set the pace for the industry, which witnessed an outburst of merger activity that seemed to presage further consolidation as smaller, family-run wholesalers begin to give up the difficult, if not impossible, task of competing with the well-heeled, technologically advanced majors.

In a year marked by vigorous revenue growth and a slight de-

depth," King says, adding that FoxMeyer has been able to use that depth to strengthen its own management.

FoxMeyer entered into several strategic partnerships during the year. The wholesaler locked up an agreement with May's Drug Stores in Tulsa to handle the physical distribution of promotional and seasonal goods. FoxMeyer also took over distribution facilities for Snyder Drug Stores in Minneapolis and signed a long-term agreement with Perry Drug.

In the technology area FoxMeyer is aggressively rolling out high-speed A-frame picking devices. They've been installed in Kansas City, Cincinnati and Carroll Stream, Ill., outside Chicago.

Drug wholesalers expense and profit trends

Indicators	1991	1990	1989	1988	1987
Gross margin	6.82%	7.35%	7.30%	7.34%	7.60%
Operating expenses	4.43	4.72	4.85	4.99	5.28
Operating income	2.39	2.63	2.45	2.34	2.31

Source: NWDA 1991 Operating Survey.

cline in net earnings, Bergen acted to strengthen its distribution capability with a new highly automated facility in Albuquerque and others being built in Houston, Atlanta and Richmond, Va.

FoxMeyer Corp.

FoxMeyer took a big hit with the bankruptcy of Phar-Mor, but its acquisition of Harris Wholesale more than tipped the balance on the plus side this past year.

Bob King, FoxMeyer's chairman, said the Dallas-based wholesaler had spent "a lot of time" integrating Harris, a billion-dollar-plus distributor, into its operation.

"We're pretty much on schedule," he says. "The acquisition fit like a glove. It gave us strengths in the Southeast, Ohio, Pennsylvania and New England. But the best surprise was the good management

Health Mart, FoxMeyer's franchise drug store program, continues to be a central focus. There are now 800 stores enrolled in the program, an addition of more than 50 units.

On the downside was the Phar-Mor bankruptcy. "Phar-Mor has been a challenge for us," King concedes. The deep discounter represented 16 percent of FoxMeyer's sales, when the wholesaler was doing \$3.1 billion, and was a rapidly growing contributor to revenues.

But King points out that FoxMeyer has absorbed similar "revenue shocks" before, including the loss of Wal-Mart to McKesson. "We've proven every time that we can stay right in the game. This management team is working very hard. They've shown that the loss of any one customer does not put our company in jeopardy."

King said he expected Phar-Mor
Continued on following page

Wholesaler challenges

Continued from previous page
Mor to be a viable, though smaller, customer after it emerges from Chapter 11.

Alco

Alco Health Services just completed another record, with sales growing by almost 20 percent to \$3.3 billion and earnings at the highest level ever, according to Bob McHugh, vp-marketing.

"We've been consolidating our operations and reducing our operating expenses," McHugh says. In the past several years, the Valley Forge, Pa.-based wholesaler has gone from 31 to 18 divisions by consolidating into larger and more efficient region-

Alco hit another record, with sales up almost 20 percent and earnings the highest ever.

ally-based facilities.

McHugh says Alco has grown its Eagle Stores operation in Minnesota during the year and incorporated it into its own Family Pharmacy voluntary cooperative program. Eagle, acquired last year, was a strong independent buying group.

Alco's customer base also shifted slightly during the year, according to McHugh, with "a few more points to hospitals."

Hospitals now comprise 38 percent of the business and independents 41 percent, with the rest going to chains.

The shift to hospitals has meant lower margins, of course, but the upside is that servicing hospitals means a reduced expense ratio. McHugh points out that retail customers are more expensive because of the value-added services required to maintain their loyalty

in a competitive environment. Alco, for example, lists 50 value-added services that it offers. What's more, the \$1.68 per line picking cost remains the same whether the customer is an independent needing a \$4 OTC product or a hospital ordering a \$100 pharmaceutical.

On the downside, the hospital business requires high inventory investment and the big hospital contracts can be fragile. "You can lose \$100 million in a heartbeat," McHugh notes. Alco's policy, he says, is to have no single customer that exceeds 5 percent of its volume.

Bindley Western

Bindley Western focused on the direct-store-delivery side of its business during the year, according to William Bindley, chairman and ceo.

The Indianapolis-based wholesaler, which will post \$2.9 billion in sales this year, added many more stores to its distribution network with the acquisition of J.E. Goold, the New England-based full-line wholesaler.

Bindley also completed the upgrading of its distribution centers to full-line, full-service facilities. It has opened a new 100,000-plus-square-foot operation in Orlando, two others, in Middletown, Pa. and Atlanta, and doubled its capacity in Charlotte, N.C. Another 200,000-square-foot regional facility in Orange, Conn., will replace two smaller DC's and bring Bindley's total number of warehouses to 12 from the present 13. In the past three years Bindley has tripled its space to around 800,000 square feet.

"We've spent \$18.5 million on bricks and mortar and an upgraded computer system," Bindley says. "We're in a position now to do \$4 to \$4.5 billion in sales with the facilities we have."

"We've positioned ourselves for the future," Bindley says. "We're very confident. We have a young, talented management team. Our intention is to be a major player—if we're not that already at \$2.9 billion in

Continued on following page

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Description: Yohimbine is a 3a-15a-20B-17a-hydroxy Yohimbine-16a-carboxylic acid methyl ester. The alkaloid is found in Rubiaceae and related trees. Also in Rauwolfia Serpentina (L) Benth. Yohimbine is an indolalkylamine alkaloid with chemical similarity to reserpine. It is a crystalline powder, odorless. Each compressed tablet contains (1/12 gr.) 5.4 mg of Yohimbine Hydrochloride.

Action: Yohimbine blocks presynaptic alpha-2 adrenergic receptors. Its action on peripheral blood vessels resembles that of reserpine, though it is weaker and of short duration. Yohimbine's peripheral autonomic nervous system effect is to increase parasympathetic (cholinergic) and decrease sympathetic (adrenergic) activity. It is to be noted that in male sexual performance, erection is linked to cholinergic activity and to alpha-2 adrenergic blockade which may theoretically result in increased penile inflow, decreased penile outflow or both.

Yohimbine exerts a stimulating action on the mood and may increase anxiety. Such actions have not been adequately studied or related to dosage although they appear to require high doses of the drug. Yohimbine has a mild anti-diuretic action, probably via stimulation of hypothalamic centers and release of posterior pituitary hormone.

Reportedly, Yohimbine exerts no significant influence on cardiac stimulation and other effects mediated by B-adrenergic receptors, its effect on blood pressure, if any, would be to lower it; however no adequate studies are at hand to quantitate this effect in terms of Yohimbine dosage.

Indications: Yocon[®] is indicated as a sympathicolytic and mydriatic. It may have activity as an aphrodisiac.

Contraindications: Renal diseases, and patient's sensitive to the drug. In view of the limited and inadequate information at hand, no precise tabulation can be offered of additional contraindications.

Warning: Generally, this drug is not proposed for use in females and certainly must not be used during pregnancy. Neither is this drug proposed for use in pediatric, geriatric or cardio-renal patients with gastric or duodenal ulcer history. Nor should it be used in conjunction with mood-modifying drugs such as antidepressants, or in psychiatric patients in general.

Adverse Reactions: Yohimbine readily penetrates the (CNS) and produces a complex pattern of responses in lower doses than required to produce peripheral a-adrenergic blockade. These include, anti-diuresis, a general picture of central excitation including elevation of blood pressure and heart rate, increased motor activity, irritability and tremor. Sweating, nausea and vomiting are common after parenteral administration of the drug.^{1,2} Also dizziness, headache, skin flushing reported when used orally.^{1,3}

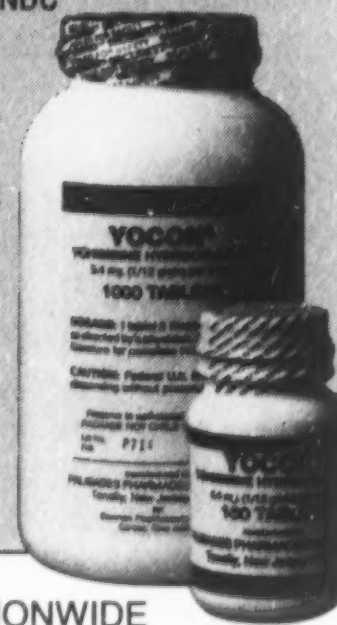
Dosage and Administration: Experimental dosage reported in treatment of erectile impotence.^{1,3,4} 1 tablet (5.4 mg) 3 times a day, to adult males taken orally. Occasional side effects reported with this dosage are nausea, dizziness or nervousness. In the event of side effects dosage to be reduced to 1/2 tablet 3 times a day, followed by gradual increases to 1 tablet 3 times a day. Reported therapy not more than 10 weeks.³

How Supplied: Oral tablets of Yocon[®] 1/12 gr. 5.4 mg in bottles of 100's NDC 53159-001-01 and 1000's NDC 53159-001-10.

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Surviving a year of challenges

Continued from previous page sales."

For a number of years, Bindley has been changing the mix of its distribution business. For most of its 25 years, Bindley operated as a pharmaceutical supplier to warehousing chains. In 1980, warehousing chains represented 96 percent of Bindley's revenue base. Today the figure is 75 percent.

"We couldn't have remained a warehousing chain operation and been a public company," Bindley says. "We needed to complement the distribution channels we had."

Whitmire Distribution Co.

Whitmire Distribution sales have soared in the past two years, based mainly on strong growth in the institutional segment. According to Mel Whit-

mire, chairman and ceo, the wholesaler broke the \$2 billion barrier for the first time during fiscal 1992, which ended in June. Two years ago sales were at \$1 billion.

Hospitals represent the bulk of Whitmire's business (49 percent), while "others" comprises 17 percent. Part of that other

segment is health maintenance organizations, which Whitmire says are not yet generating "big dollars," but still are the fastest growing portion at over 60 percent. Of the remaining business, chains account for 12 percent, not including bulk sales to chain warehouses. Independents account for 22 percent.

Whitmire's PRIDE program is smaller and with fewer front-end promotional and merchandising features than the typical voluntary cooperative program run by major wholesalers. Its thrust is service the pharmacist with promotions designed to emphasize the professional and

Continued on following page

Drug wholesalers product sales mix

(Percentage of net drug wholesaling sales)

Product mix	1991	1990	1989	1988	1987
Pharmaceutical	79.1%	79.5%	80.6%	77.0%	78.7%
Proprietary/non-prescription drugs	11.4	9.9	8.4	11.2	12.1
Health & beauty aids	6.5	7.0	6.7	6.9	3.9
Sundry/general merchandise	1.1	1.8	2.4	2.5	3.1
**DME & HHC	1.0	0.9	0.9	1.0	1.0
Other	0.5	0.6	0.8	1.1	0.9

*Health and beauty aids were included in the Proprietary group in 1987 and earlier. In 1988 "non-drug health and beauty aids" were combined with toiletries in a new "health and beauty aids" group.

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Source: NWDA 1991 Operating Survey.

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Continued from previous page
pharmaceutical side of the drug
store business.

Whitmire recently entered into a strategic alliance with General Computer, which markets one of the larger retailer systems. Mel Whitmire says the company expects to introduce a new retail-based pharmacy management system that incorporates some of the best features of its OTIS hospital management computer program, but adds several unique wrinkles for its retail customers.

Whitmire was reluctant to talk about the new retail system, but said it would combine typical pharmacy computer features with inventory management capability and a patient counseling application.

The Folsom-based wholesaler services about 5,000 to 6,000 retail customers nationwide, according to Whitmire, and about 1,000 hospitals.

Drug wholesaler profitability trends

Indicators	1991	1990	1989	1988	1987
Return on net worth (FIFO)	13.0%	14.9%	14.3%	11.3%	12.8%
Inflation adjusted RONW (FIFO)	9.9	8.8	9.7	6.9	8.4
Return on total assets (FIFO) (Net profit after taxes to total assets)	5.55	5.77	5.84	4.67	5.55
Total asset turnover (Net sales to total assets) (FIFO)	4.10	4.15	4.10	4.15	4.11
Gross profit margins (FIFO)	6.82	7.35	7.30	7.34	7.60
Net profit margins (FIFO)	1.31	1.35	1.36	1.13	1.33

Source: NWDA 1991 Operating Survey.

Cardinal Distribution, Inc.

Cardinal Distribution won one and lost one in the acquisition arena this year.

The win occurred last October with the purchase of Chapman Drug, a strong regional wholesaler in the Southeast. The loss came in September when Cardinal dropped its bid

to acquire Durr Fillauer, another strong Southeastern player.

David Bearman, senior vp, says the loss of Durr last month to the more aggressive bidding of Bergen Brunswig was "disappointing" to a management that had sought to consolidate its strength in key growth areas. He says the company refused in

the end to dilute its earnings and compromise its balance sheet by continuing the bidding war with Bergen.

"But we have a number of alternatives that we are pursuing, including the expansion of Chapman," he says.

Despite the disappointment with Durr, Cardinal continued

Continued on following page

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Desonide

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cover story

Wholesalers survive challenges

Continued from previous page its strong expansion on all fronts. Sales and earnings for the country's sixth largest wholesaler both doubled in the past two years.

Cardinal also pursued a number of innovative new programs and services, part of a strategy designed to broaden its mix of offerings and add value to its existing and prospective customer base. The wholesaler formed a new business to distribute therapeutic

blood plasma products and other specialty pharmaceuticals to customers in its growing managed care segment.

Cardinal also invested in a company called Medical Strategies, Inc., which provides retail pharmacies with free-standing touch-screen information kiosks. The kiosks offer customers a full menu of health information, and provides Cardinal with what it calls "a valuable calling card"

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Drug wholesalers with voluntary programs

Company	Voluntary name	No. of members
McKesson	Valu-Rite	3,960
Alco Health Services	Family Pharmacy	1,200
Durr Drug Co. Inc.	Priceguard	1,050
Bergen Brunswig	Good Neighbor	1,025
FoxMeyer	Health Mart*	780
Commons Bros, Inc.	Nu-Health***	700
Drug Guild	Drug Guild Community Pharmacy**	675
Whitmire Distribution	P.R.I.D.E. Pharmacies	600
North Carolina Mutual	Mutual Drug	440
Humiston-Keeling	Service Pharmacy	300
Albers Inc.	ADVALUE Drug Center	276
Neuman Wholesale Drug	Super Save & James Drug Co-op	214
The F. Dohmen Co	Aim Plus	205
Barnes Wholesale, Inc.	Major Value	170
Cardinal Distribution	Leader Drug	165
Solomons Co.	Healthcare Pharmacies	158
Dakota Drug	ABC	141
Gulf Distribution	Vida Pharmacy	117
Dix Drug	Centsible	100
Remo Drug	Value-Most	100
Smith Drug Co.	The Pharmacy Group Stores	81
Northern Drug	Med Plus	75
Kinray Inc.	Kinray Kicker	60
Walsh-Lumpkin	Healthcare America	50
James Brudnick Co. Inc.	Family Pharmacy	30

*Health Mart is a franchised program.

**Drug Guild is a company co-op.

***Nu-Health is a company co-op.

Source: Drug Store News/NWDA Survey.

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for building its business in the retail arena.

The wholesaler also introduced Network, a computer-based pharmacy information system that incorporates many of the inventory management features of its hospital pharmacy management system called AccuNet.

Humiston-Keeling, Inc.

When an outbreak of spinal meningitis occurred in the Darien, Ill., area about six months ago, Larry Olin had a shipment of Rifadin, the Marion Merrell Dow antibacterial drug, shipped directly to his home on the weekend. The president of Humiston-Keeling then personally delivered the life-saving drugs to about a dozen pharmacies in the area. That is one example of the kind of attention to customers that Humiston-Keeling feels is its strong suit in an industry marked by increasingly vigorous price competition.

According to Linda Milberg, executive vice president, the Chicago-based wholesaler shifted its strategy to total quality management about three years ago, realizing that it needed to fill a niche that considers something other than price. So, for example, Humiston-Keeling now has a service level of 98 percent and an accuracy rate in order filling of 99.97 percent, according to Milberg.

The wholesaler services the four-state Midwest area of Illinois, Indiana, Michigan and Wisconsin, but actually fills orders in 11 states including New York and California.

Among the out-of-state customers are those with special needs, including dialysis centers and speciality clinics.

Humiston offers a full range of other services to its customers. One example is a lending library made up of material on management techniques. "We can't keep them in stock," Milberg says. The wholesaler also maintains a customer service desk that's open 70 hours a week. "When there's an emergency, we're there for our customers," Milberg says. ■

Wholesalers survive challenges

The nation's top 20 highest volume drug wholesalers

Company	FY ending	Drug sales in millions	Projected next year sales
1. McKesson Drug Co. <i>San Francisco</i>	3/31/92	\$7.9	\$8.9 ^E
2. Bergen Brunswig Drug Co. <i>Los Angeles</i>	8/31/92	6.5	7.4 ^E
3. FoxMeyer Corp. <i>Carrollton, Texas</i>	3/31/92	3.2	5.2 ^E
4. Alco Health Services <i>Valley Forge, Pa.</i>	9/30/91	2.8	3.3 ^E
5. Bindley Western <i>Indianapolis, Ind.</i>	12/31/91	2.4	2.9 ^E
Total Sales Top 5: 22.5 Billion (62% of 1991 industry sales)			
6. Whitmire Distribution Corp. <i>Folsom, Calif.</i>	7/3/92	2.3	2.7 ^E
7. Cardinal Distribution, Inc. <i>Dublin, Ohio</i>	3/30/92	1.6	2.1 ^E
8. Humiston-Keeling <i>Chicago, Ill.</i>	5/1/92	785	867 ^E
9. Durr Drug Co., Inc. <i>Montgomery, Ala.</i>	12/31/91	696	821 ^E
10. Commons Bros., Inc. <i>Elmsford, N.Y.</i>	4/30/92	425	605 ^E
Total Sales Top 10: 28.3 (78% of 1991 industry sales)			
11. OCP-America <i>Clark, N.J.</i>	9/30/92	412	475 ^E
12. Neuman Wholesale Drug Co. <i>Ridgefield, N.J.</i>	4/30/92	400	450 ^E
13. Drug Guild Distributors, Inc. <i>Secaucus, N.J.</i>	7/31/92	346	404 ^E
14. Kay Wholesale Drug Co., <i>Wilkes-Barre, Pa.</i>	6/30/92	320	350 ^E
15. Moore Medical Corp. <i>New Britain, Conn.</i>	12/28/91	311	290 ^E
Total Sales Top 15: 30.1 (83% of 1991 industry sales)			
16. Twin City Wholesale Drug, Minneapolis, Mn. (Division of Krelitz Industries)	5/2/92	250	260 ^E
17. Walker Drug Co. <i>Birmingham, Ala.</i>	12/31/91	247	284 ^E
18. Gulf Distribution, Inc. <i>Miami, Fla.</i>	6/30/92	228 ^E	262 ^E
19. North Carolina Mutual Wholesale Drug, <i>Durham, N.C.</i>	3/31/92	220	247 ^E
20. Kinray Inc. <i>Elmhurst, NY.</i>	12/31/91	215	245 ^E
Total Estimated Sales Top 20: 31.3 (86% of 1991 industry sales)			

Source: Drug Store News/NWDA survey.

Test kit sales to reach \$2 billion by 1999

By Mike Troy

Fueled by blood glucose monitoring devices and to a lesser extent pregnancy tests, the market for home testing kits continues to soar (see chart).

As more and more people assume responsibility for their health care, sales of test kits, especially for diabetic purposes, are expected to continue to increase. Demographics support ambitious projections and bode well for healthy future sales.

"There are tremendous sales and growth opportunities in all drug outlets," said Bill Amirault, trade marketing manager at LifeScan, a Johnson & Johnson Company. "Sales of meters and strips are going through the roof and should increase by 15 percent or more in the coming years."

The blood glucose monitor segment is largely responsible for double digit increases in annual sales of the test kit category. Demand for the products has attracted the attention of many manufacturers, but LifeScan's strips and meters remain the most popular, according to figures compiled by the research firm of Towne-Oller & Associates.

When it comes to purchasing test kits, consumers usually think of drug stores. Drug stores have about an 87 percent share of the test kit market. The food channel accounts for 9 percent, followed by mass merchandisers, where only about 1 percent of the kits are sold. Another 3 percent are sold through mail order and other sources.

The key to product movement in the category is what Amirault described as "visible availability." Test kits are high



The pregnancy test kit market is increasing as manufacturers continue to introduce more reliable, user-friendly products.

pilferage items, but keeping them out of sight behind a pharmacy counter can discourage sales. Optimally, meters and strips should be merchandised on shelves near the pharmacy with a sign alerting people to the location of diabetes products, according to Amirault.

Diabetes test kits comprise about 60 percent of drug store test kit sales. Pregnancy test kits make up another 30 percent, according to

Towne-Oller. Diabetes kits may dominate the category, but the pregnancy test kit market continues to grow as manufacturers market increasingly reliable and user-friendly products.

For example, the new Precise product now on the market by Becton Dickinson and Co. can detect pregnancy hormones (human chorionic gonadotropin, hCG) at half the concentration levels of other leading national brands. Results

are available in one minute, whereas other tests may take anywhere from two to five minutes. The test is accurate 99 percent of the time, according to a company spokesman.

In addition to being accurate and quick, some kits, such as Warner-Lambert Company's EPT, can be used to detect pregnancy as early as the day of a missed period.

Other kits make inroads

Blood glucose monitors and pregnancy test kits now find themselves sharing shelf space with some new kits that screen for a number of other conditions.

Biotel Corporation has recently relaunched a line of home screening tests for urinary tract infections, kidney/bladder disorders as well as diabetes. The company has placed plenty of print and television ad muscle behind the trio of urine-based dip stick tests, which the company says are more accurate than ever.

Biomerica also has two EZ Detect products on the market which screen for occult blood. The company's stool blood test is a chemically treated patch that will produce a positive or negative result when dropped in a toilet containing a bowel movement. The test is easier to use than messy smear tests, since it requires no handling of the stool.

The company's other dip stick test, which detects blood in urine, has correlated 100 percent with independent lab results. Both EZ Detect tests retail at between \$5.50 and \$7.50 and can be found in retailers such as Walgreen's, Sav-On/Osco and Hook.

"More and more people are

Continued on page 44

Manufacturer sales of test kits

*1992	\$585 M
1991	\$515
1990	\$435
1989	\$335
1988	\$285

*Projected, assumes 13.5 percent growth.
Source: Kline & Co.

Non-invasive technology: the wave of the future

When "Star Trek's" Dr. McCoy waved a small handheld device over a patient's body, he could immediately make a diagnosis.

The creators of the original TV series may have been on to something. In a few years, a conceptually similar device that uses non-invasive technology is expected to be available to diabetics in the form of a blood glucose monitor. Several manufacturers are scrambling to be the first to market such products.

"Non-invasive technology is going to be a truly significant breakthrough, not just in the blood glucose monitoring category, but in the medical profession," said Ron Jackson, vp of sales and marketing with Cascade Medical, makers of the

CheckMate line of diabetes products. "We may be a couple of years away from it, but non-invasive technology really is the wave of the future."

Cascade Medical expects to market a non-invasive monitor now under development by Boston Advanced Technologies. The patented technology utilizes laser diodes and fiber optics to direct near-infrared light through the skin. The reflected light is then analyzed to provide a measure of the glucose concentration in the blood.

Still a few years away from store shelves, Jackson said the product will only be available to professionals in a clinical setting at first, "but ultimately the goal is to have it available at retail."

Diabetes statistics

- The American Diabetes Association says almost 750,000 people will be diagnosed as diabetic this year.
- More than 14 million people in the United States have diabetes, half of whom are not aware they have the disease.
- A person with diabetes spends up to \$2,500 in drug stores, 15 times more than the average household.
- Diabetes products are the fourth largest selling HBA category by dollar volume.

Test kit sales: \$2 billion by 1999

Continued from page 41
interested in testing themselves in the privacy of their own homes. These tests are confidential and allow a consumer to catch problems at an early stage," said Zachary Irani, business development manager at Biomerica.

Biotel's president and ceo, Truman Susman, said the retail market for all consumer testing is well over \$700 to \$800 million, with the potential to blossom to \$2 billion by the end of the century. He expects this subcate-

gory of kits to grow 10 to 15 percent within the next few years.

It's too early to judge consumer reaction to the products. "The products just hit the stores recently, but I think there could be some interesting results because of the marketing behind the Biotel products," said Steve Hewes, buyer at Genovese.

One buyer at a large chain said he planned to advertise the Biotel tests in an upcoming circular. "There's definitely a market for testing kits and I see a bigger future for home testing," he said. ■

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